

**City of Silver City**

**Independent Auditors' Report  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2007**

TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| MANAGEMENT’S DISCUSSION AND ANALYSIS   | 3-7         |
| INDEPENDENT AUDITOR’S REPORT   | 8-9         |
| BASIC FINANCIAL STATEMENTS:  |             |
| Government-wide Financial Statement:   |             |
| Statement of Activities and Net Assets – Cash Basis  | 10-11       |
| Government Fund Financial Statement:   |             |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | 12          |
| Proprietary Fund Financial Statement:  |             |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | 13          |
| Notes to the Financial Statements  | 14-18       |
| REQUIRED SUPPLEMENTARY INFORMATION:  |             |
| Budgetary Comparison Schedule of Receipts, Disbursements and<br>Changes in Balances – Budget and Actual (Cash Basis) – All<br>Governmental Funds and Proprietary Funds                                       | 20          |
| OTHER SUPPLEMENTARY INFORMATION:   |             |
| Schedule of Cash Receipts, Disbursements and Changes in<br>Cash Balances – Nonmajor Governmental Funds   | 21-22       |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING<br>AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN<br>AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br>ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 23-24       |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS  | 25          |

## City of Silver City

### Management's Discussion and Analysis

Silver City (the City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2007 Financial Highlights**

- Receipts of the City's governmental activities decreased 10.23% or approximately \$15,600, from fiscal 2006 to fiscal 2007. Property tax receipts increased 32.6% or approximately \$17,600.
- Disbursements of the City's governmental activities increased 3.2% or approximately \$6,000.
- The City's total cash basis net assets increased 14.7% or approximately \$37,800.

#### **Using This Annual Report**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the Nonmajor governmental funds.

## City of Silver City

### Management's Discussion and Analysis

#### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the cash basis of accounting.

#### **Reporting the City's Financial Activities**

##### Government-wide Financial Statements

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and wastewater treatment systems. These activities are financed primarily by user charges.

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

# City of Silver City

## Management's Discussion and Analysis

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and wastewater funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

### Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the cash balances for the governmental activities:

|  | Year ended June 30, |                   |
|--|---------------------|-------------------|
|  | 2007                | 2006              |
| Receipts and transfers:                  |                     |                   |
| Program Receipts:                        |                     |                   |
| Charges for services                     | \$ 6,918            | \$ 14,555         |
| General Receipts                         |                     |                   |
| Local property taxes                     | 71,497              | 53,899            |
| Local option sales tax                   | 14,663              | 5,000             |
| Intergovernmental                        | 29,484              | 39,082            |
| Interest on investments                  | 3,192               | 2,033             |
| Other general receipts                   | 58,532              | 30,926            |
| Transfers in                             | 23,488              | 83,309            |
| Cumulative balance adjustment            | <u>1,644</u>        | <u>88,687</u>     |
| Total Receipts and Transfers             | 209,418             | 317,491           |
| Disbursements:                           |                     |                   |
| Public safety                            | 46,789              | 30,101            |
| Public works                             | 15,055              | 45,366            |
| Culture and recreation                   | 26,255              | 17,604            |
| Community and economic development       | 4,290               | 5,776             |
| General Government                       | 39,071              | 40,279            |
| Debt Service                             | 30,823              | 17,148            |
| Capital projects                         | -                   | -                 |
| Transfers out                            | <u>1,269</u>        | <u>111,369</u>    |
| Total Disbursements and Transfers        | <u>163,552</u>      | <u>267,643</u>    |
| Increase in cash basis net assets        | 45,866              | 49,848            |
| Cash basis net assets, beginning of year | <u>182,994</u>      | <u>133,146</u>    |
| Cash basis net assets, end of year       | <u>\$ 228,860</u>   | <u>\$ 182,994</u> |

# City of Silver City

## Management's Discussion and Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the cash balances for the business type activities:

|  | Year ended June 30, |                  |
|--|---------------------|------------------|
|  | <u>2007</u>         | <u>2006</u>      |
| Receipts and transfers:                  |                     |                  |
| Program Receipts:                        |                     |                  |
| Charges for services                     | \$ 99,682           | \$ 70,147        |
| Capital grants and loans                 | -                   | 1,341,609        |
| General receipts                         |                     |                  |
| Other general receipts                   | <u>1,009</u>        | <u>-</u>         |
| Total Receipts and Transfers             | 100,691             | 1,411,756        |
| Disbursements:                           |                     |                  |
| Water                                    | 37,340              | 79,927           |
| Waste Water                              | 19,853              | 1,284,547        |
| Transfers out                            | <u>51,538</u>       | <u>-</u>         |
| Total Disbursements and Transfers        | <u>108,731</u>      | <u>1,364,153</u> |
| Net increase in cash basis net assets    | (8,040)             | 47,603           |
| Cash basis net assets, beginning of year | <u>74,040</u>       | <u>26,437</u>    |
| Cash basis net assets, end of year       | <u>\$ 66,000</u>    | <u>\$ 74,040</u> |

The decrease in waste water receipts and disbursements was due to the Community Development Block Grant and UDSA Rural Development Grant and Loan program that the City used to build a waste water treatment system.

## City of Silver City

### Management's Discussion and Analysis

#### **Debt Administration**

At June 30, 2007, the City had approximately \$675,595 in bonds and other long-term debt, compared to approximately \$698,155 in bonds and other long-term debt at June 30, 2006.

#### **Economic Factors and Next Year's Budgets and Rates**

Silver City's elected and appointed officials considered many factors in setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. Silver City has a stagnant population and the only major increase in user fee charges was for the new waste water system. The City expects no major budget, tax or fee increases except as noted previously.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trish Roenfeldt, City Treasurer, 403 Main Street, Silver City, Iowa, 51571.

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the City Council of the  
City of Silver City, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Silver City (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Silver City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in the Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting standards generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Silver City as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.



In accordance with *Government Auditing Standards*, I have also issued my report dated July 23, 2008 on my consideration of the City of Silver City's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 7 and 20 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Silver City's basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Timothy J. Cortney, CPA  
July 23, 2008

City of Silver City  
STATEMENT ACTIVITIES AND NET ASSETS – CASH BASIS  
As of and for the year ended June 30, 2007

|   |                      |                    | <u>Program Receipts</u> |                |
|---|----------------------|--------------------|-------------------------|----------------|
|   |                      |                    | Operating Grants        | Capital Grants |
|   |                      |                    | Contributions           | Contributions  |
|   |                      |                    | and Restricted          | and Restricted |
|   |                      |                    | Interest                | Interest       |
| Functions/Programs:   | <u>Disbursements</u> | <u>Charges for</u> |                         |                |
|   |                      | <u>Services</u>    |                         |                |
| Government Activities:                                      |                      |                    |                         |                |
| Public safety   | \$ (46,789)          | \$ 6,738           | \$ 7,600                | \$ -           |
| Public works  | (15,055)             | -                  | 21,560                  | -              |
| Culture and recreation                                      | (26,255)             | 180                | 4,680                   | -              |
| Community and economic development                          | (4,290)              | -                  | -                       | -              |
| General government  | (39,071)             | -                  | -                       | -              |
| Debt service  | (30,823)             | -                  | -                       | -              |
|   |                      |                    |                         |                |
| Total Governmental Activities                               | (162,283)            | 6,918              | 33,840                  | -              |
|   |                      |                    |                         |                |
| Business Type Activities:                                   |                      |                    |                         |                |
| Water   | (37,340)             | 61,339             | -                       | -              |
| Waste water treatment                                       | (19,853)             | 38,343             | -                       | -              |
|   |                      |                    |                         |                |
| Total Business Type Activities                              | (57,193)             | 99,682             | -                       | -              |
|   |                      |                    |                         |                |
| Total   | <u>\$ (219,476)</u>  | <u>\$ 106,600</u>  | <u>\$ 33,840</u>        | <u>\$ -</u>    |
| General Receipts:   |                      |                    |                         |                |
| Property and other city tax levied for:                     |                      |                    |                         |                |
| General purposes  |                      |                    |                         |                |
| Local option sales tax                                      |                      |                    |                         |                |
| Loan proceeds   |                      |                    |                         |                |
| Grants and contributions not restricted to specific purpose |                      |                    |                         |                |
| Unrestricted interest on investment                         |                      |                    |                         |                |
| Miscellaneous   |                      |                    |                         |                |
| Transfers   |                      |                    |                         |                |
| Total general receipts and transfers                        |                      |                    |                         |                |
| Change in cash basis net assets                             |                      |                    |                         |                |
| Cash basis net assets beginning of year                     |                      |                    |                         |                |
| Cash basis net assets end of year                           |                      |                    |                         |                |
| Cash Basis Net Assets                                       |                      |                    |                         |                |
| Restricted  |                      |                    |                         |                |
| Streets   |                      |                    |                         |                |
| Debt service  |                      |                    |                         |                |
| Other purposes  |                      |                    |                         |                |
| Unrestricted  |                      |                    |                         |                |
| Total Cash Basis Net Assets                                 |                      |                    |                         |                |

The accompanying notes are an integral part of these financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

---

| Governmental<br>Activities | Business Type<br>Activities | Total             |
|----------------------------|-----------------------------|-------------------|
| \$ (32,451)                | \$ -                        | \$ (32,451)       |
| 6,505                      | -                           | 6,505             |
| (21,395)                   | -                           | (21,395)          |
| (4,290)                    | -                           | (4,290)           |
| (39,071)                   | -                           | (39,071)          |
| <u>(30,823)</u>            | <u>-</u>                    | <u>(30,823)</u>   |
| (121,525)                  | -                           | (121,525)         |
| -                          | 23,999                      | 23,999            |
| <u>-</u>                   | <u>18,490</u>               | <u>18,490</u>     |
| -                          | 42,489                      | 42,489            |
| (121,525)                  | 42,489                      | (79,036)          |
| 71,497                     | -                           | 71,497            |
| 14,663                     | -                           | 14,663            |
| -                          | -                           | -                 |
| 44,137                     | -                           | 44,137            |
| 3,192                      | 1,009                       | 4,201             |
| 2,129                      | -                           | 2,129             |
| <u>31,773</u>              | <u>(51,538)</u>             | <u>(19,765)</u>   |
| <u>167,391</u>             | <u>(50,529)</u>             | <u>116,862</u>    |
| 45,866                     | (8,040)                     | 37,826            |
| 182,994                    | 74,040                      | 257,034           |
| <u>\$ 228,860</u>          | <u>\$ 66,000</u>            | <u>\$ 294,860</u> |
| \$ 53,760                  | \$ -                        | \$ 53,760         |
| 20,038                     | 13,677                      | 33,715            |
| 141,516                    | -                           | 141,516           |
| <u>13,546</u>              | <u>52,323</u>               | <u>65,869</u>     |
| <u>\$ 228,860</u>          | <u>\$ 66,000</u>            | <u>\$ 294,860</u> |

The accompanying notes are an integral part of these financial statements.

City of Silver City  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the year ended June 30, 2007

|                                       | General          | Special Revenue Funds |                   | Total             |
|---------------------------------------|------------------|-----------------------|-------------------|-------------------|
|                                       |                  | Road Use Tax          | Non Major         |                   |
| Receipts:                             |                  |                       |                   |                   |
| Property tax                          | \$ 71,497        | \$ -                  | \$ -              | \$ 71,497         |
| Other city tax                        | 14,663           | -                     | -                 | 14,663            |
| Licenses and permits                  | 557              | -                     | -                 | 557               |
| Use of money and property             | 3,192            | -                     | -                 | 3,192             |
| Intergovernmental                     | 3,099            | 21,560                | 4,825             | 29,484            |
| Charges for services                  | -                | -                     | 6,918             | 6,918             |
| Miscellaneous and other               | -                | -                     | 57,975            | 57,975            |
| Total Receipts                        | 93,008           | 21,560                | 69,718            | 184,286           |
| Disbursements:                        |                  |                       |                   |                   |
| Operating                             |                  |                       |                   |                   |
| Public safety                         | 4,764            | -                     | 42,025            | 46,789            |
| Public works                          | -                | 15,055                | -                 | 15,055            |
| Culture and recreation                | 3,252            | -                     | 23,003            | 26,255            |
| Community and economic development    | 4,290            | -                     | -                 | 4,290             |
| General government                    | 39,071           | -                     | -                 | 39,071            |
| Debt Service                          | 30,823           | -                     | -                 | 30,823            |
| Total Disbursements                   | 82,200           | 15,055                | 61,368            | 162,283           |
| Excess of receipts over disbursements | 10,808           | 6,505                 | 4,690             | 22,003            |
| Other Financing Sources (Uses):       |                  |                       |                   |                   |
| Operating transfers in                | 19,007           | 624                   | 3,857             | 23,488            |
| Operating transfers out               | -                | -                     | (1,269)           | (1,269)           |
| Other balance adjustments             | -                | -                     | 1,644             | 1,644             |
| Total Other Financing Sources (Uses)  | 19,007           | 624                   | 4,232             | 23,863            |
| Net change in cash balance            | 29,815           | 7,129                 | 8,922             | 45,866            |
| Cash balance beginning of year        | 3,769            | 46,631                | 132,594           | 182,994           |
| Cash balance end of year              | <u>\$ 33,584</u> | <u>\$ 53,760</u>      | <u>\$ 141,516</u> | <u>\$ 228,860</u> |

**Cash Basis Fund Balances**

|                                |                  |                  |                   |                   |
|--------------------------------|------------------|------------------|-------------------|-------------------|
| Reserved for debt service      | \$ 20,038        | \$ -             | \$ -              | \$ 20,038         |
| Unreserved:                    |                  |                  |                   |                   |
| General Fund                   | 13,546           | -                | -                 | 13,546            |
| Special Revenue Fund           | -                | 53,760           | 141,516           | 195,276           |
| Total Cash Basis Fund Balances | <u>\$ 33,584</u> | <u>\$ 53,760</u> | <u>\$ 141,516</u> | <u>\$ 228,860</u> |

The accompanying notes are an integral part of these financial statements.

City of Silver City  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
As of and for the year ended June 30, 2007

|   | Enterprise Funds |                  |                  |
|---|------------------|------------------|------------------|
|   | Water            | Wastewater       | Total            |
| Operating Receipts:   |                  |                  |                  |
| Charges for services  | \$ 61,339        | \$ 38,343        | \$ 99,682        |
| Interest income   | -                | 1,009            | 1,009            |
| Total Receipts  | 61,339           | 39,352           | 100,691          |
| Operating Disbursements:  |                  |                  |                  |
| Business type activities  | 37,340           | 19,853           | 57,193           |
| Total Disbursements   | 37,340           | 19,853           | 57,193           |
| Excess (Deficiency) of operating receipts over<br>(under) operating disbursements | 23,999           | 19,499           | 43,498           |
| Transfers   | (9,184)          | (42,354)         | (51,538)         |
| Net change in cash balance  | 14,815           | (22,855)         | (8,040)          |
| Cash balance beginning of year  | 26,726           | 47,314           | 74,040           |
| Cash balance end of year  | <u>\$ 41,541</u> | <u>\$ 24,459</u> | <u>\$ 66,000</u> |
| Cash Basis Fund Balances  |                  |                  |                  |
| Reserved for debt service   | \$ 13,616        | \$ 61            | \$ 13,677        |
| Unreserved  | 27,925           | 24,398           | 52,323           |
| Total Cash Basis Fund Balances  | <u>\$ 41,541</u> | <u>\$ 24,459</u> | <u>\$ 66,000</u> |

The accompanying notes are an integral part of these financial statements.

City of Silver City  
Notes to Financial Statements  
June 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES**

City of Silver City is a political subdivision of the State of Iowa located in Mills County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, City of Silver City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mills County Assessor's Conference Board, Mills County Emergency Management Commission and Mills County Joint E911 Service Board.

**Basis of Presentation**

Government-wide Financial Statement

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

City of Silver City  
Notes to Financial Statements  
June 30, 2007

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non major governmental funds.

The City reports the following major governmental funds:

- The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

#### Special Revenue:

- The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the City's water system.
- The Waste Water Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

City of Silver City  
Notes to Financial Statements  
June 30, 2007

Measurement Focus and Basis of Accounting

Sample Cash City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



City of Silver City  
Notes to Financial Statements  
June 30, 2007

At June 30, 2007, the City had \$291,694 in checking, savings and certificates of deposit, all of which met the state statutes. Additionally, the City holds 2 EE bonds for the Fire Department with a carrying value of \$3,166.

**Interest rate risk**

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

| For the Year<br>Ending, June 30, | G.O. Bonds       |                 | Revenue Notes     |                   | Totals            |                   |
|----------------------------------|------------------|-----------------|-------------------|-------------------|-------------------|-------------------|
|                                  | Principal        | Interest        | Principal         | Interest          | Principal         | Interest          |
| 2008                             | \$ 12,974        | \$ 2,298        | \$ 26,712         | \$ 12,463         | \$ 39,686         | \$ 14,761         |
| 2009                             | 10,000           | 1,575           | 26,870            | 12,086            | 36,870            | 13,661            |
| 2010                             | 10,000           | 1,055           | 27,023            | 11,713            | 37,023            | 12,768            |
| 2011                             | 10,000           | 530             | 27,190            | 11,326            | 37,190            | 11,856            |
| 2012                             | -                | -               | 27,364            | 10,933            | 27,364            | 10,933            |
| 2013-2045                        | -                | -               | 497,462           | 248,298           | 497,462           | 248,298           |
| Totals                           | <u>\$ 42,974</u> | <u>\$ 5,458</u> | <u>\$ 632,621</u> | <u>\$ 306,819</u> | <u>\$ 675,595</u> | <u>\$ 312,277</u> |

**NOTE 4 – PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$1,189.

City of Silver City  
Notes to Financial Statements  
June 30, 2007

**NOTE 5 – COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City has not determined the amount of unused, unpaid vacation and sick leave as of June 30, 2007.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

No related party transactions were noted between the City and City officials for the year ended June 30, 2007.

**NOTE 7 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – CONTRACT COMMITMENT**

The City has a contract with a company for the management, billing, operation and maintenance of the City's water distribution system. For the year ended June 30, 2007, the City paid the company \$33,939 for this service.

**NOTE 9 – RECLASSIFICATIONS**

Certain amounts have been restated to conform to the current statement presentation.

## SUPPLEMENTAL SCHEDULES

CITY OF SILVER CITY  
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual (Cash Basis) – All  
 Governmental Funds and Proprietary Funds

Required Supplementary Information

June 30, 2007

|  | Governmental<br>Funds Actual | Proprietary<br>Funds Actual | Original and<br>Final Budget | Final to Total<br>Variance |
|--|------------------------------|-----------------------------|------------------------------|----------------------------|
| Receipts:  |                              |                             |                              |                            |
| Property tax   | \$ 71,497                    | \$ -                        | \$ 71,496                    | \$ 1                       |
| Other city tax   | 14,663                       | -                           | 14,662                       | 1                          |
| Licenses and permits   | 557                          | -                           | 1,732                        | (1,175)                    |
| Use of money and property  | 3,192                        | 1,009                       | 5,116                        | (915)                      |
| Intergovernmental  | 29,484                       | -                           | 40,266                       | (10,782)                   |
| Charges for services   | 6,918                        | 99,682                      | 134,000                      | (27,400)                   |
| Other  | 50,065                       | -                           | 49,108                       | 957                        |
| Total Receipts   | 176,376                      | 100,691                     | 316,380                      | (39,313)                   |
| Disbursements:   |                              |                             |                              |                            |
| Public safety  | 46,789                       | -                           | 46,751                       | (38)                       |
| Public works   | 15,055                       | -                           | 19,733                       | 4,678                      |
| Culture and recreation   | 26,255                       | -                           | 28,882                       | 2,627                      |
| Community and economic development   | 4,290                        | -                           | 5,000                        | 710                        |
| General government   | 39,071                       | 900                         | 50,805                       | 10,834                     |
| Business type activities   | -                            | 56,293                      | 123,250                      | 66,957                     |
| Debt service   | 30,823                       | -                           | 22,101                       | (8,722)                    |
| Total Disbursements  | 162,283                      | 57,193                      | 296,522                      | 77,046                     |
| Excess of receipts over disbursements  | 14,093                       | 43,498                      | 19,858                       | 37,733                     |
| Other financing sources, net   | 31,773                       | (51,538)                    | -                            | (19,765)                   |
| Excess of receipts and other net financing<br>sources over disbursements and other<br>financing uses | 45,866                       | (8,040)                     | 19,858                       | 17,968                     |
| Balance, beginning of year   | 182,994                      | 74,040                      | 257,034                      | -                          |
| Balance, end of year   | \$ 228,860                   | \$ 66,000                   | \$ 276,892                   | \$ 17,968                  |

See accompanying independent auditor's report

**CITY OF SILVER CITY**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH**  
**BALANCES – NONMAJOR FUNDS**  
**For the Year Ending June 30, 2007**

|                                       | <u>Ambulance</u> | <u>Fire</u>      | <u>Library</u>   |
|---------------------------------------|------------------|------------------|------------------|
| Receipts:                             |                  |                  |                  |
| Property tax                          | \$ -             | \$ -             | \$ -             |
| Other city tax                        | -                | -                | -                |
| Licenses and permits                  | -                | -                | -                |
| Use of money and property             | -                | -                | -                |
| Intergovernmental                     | -                | 4,825            | -                |
| Charges for services                  | 6,738            | -                | 180              |
| Miscellaneous and other               | <u>8,293</u>     | <u>25,416</u>    | <u>16,021</u>    |
| Total Receipts                        | 15,031           | 30,241           | 16,201           |
| Disbursements:                        |                  |                  |                  |
| Operating                             |                  |                  |                  |
| Public safety                         | 8,653            | 33,372           | -                |
| Public Works                          | -                | -                | -                |
| Culture and recreation                | -                | -                | 19,016           |
| General Government                    | -                | -                | -                |
| Debt Service                          | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Total Disbursements                   | 8,653            | 33,372           | 19,016           |
| Excess of receipts over disbursements | 6,378            | (3,131)          | (2,815)          |
| Other Financing Sources (Uses):       |                  |                  |                  |
| Operating transfers in                | 1,763            | 134              | 1,960            |
| Operating transfers out               | -                | -                | -                |
| Other balance adjustments             | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Total Other Financing Sources (Uses)  | 1,763            | 134              | 1,960            |
| Net change in cash balance            | 8,141            | (2,997)          | (855)            |
| Cash balance beginning of year        | <u>39,192</u>    | <u>43,501</u>    | <u>42,955</u>    |
| Cash balance end of year              | <u>\$ 47,333</u> | <u>\$ 40,504</u> | <u>\$ 42,100</u> |

**Cash Basis Fund Balances**

|                                |                  |                  |                  |
|--------------------------------|------------------|------------------|------------------|
| Reserved for debt service      | \$ -             | \$ -             | \$ -             |
| Unreserved:                    |                  |                  |                  |
| General Fund                   | -                | -                | -                |
| Special Revenue Fund           | <u>47,333</u>    | <u>40,504</u>    | <u>42,100</u>    |
| Total Cash Basis Fund Balances | <u>\$ 47,333</u> | <u>\$ 40,504</u> | <u>\$ 42,100</u> |

See accompanying independent auditor's report

CITY OF SILVER CITY  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BALANCES – NONMAJOR FUNDS  
For the Year Ending June 30, 2007

|                                       | <u>C.O.P.E.</u> | <u>Hist. Society</u> | <u>Total</u>      |
|---------------------------------------|-----------------|----------------------|-------------------|
| Receipts:                             |                 |                      |                   |
| Property tax                          | \$ -            | \$ -                 | \$ -              |
| Other city tax                        | -               | -                    | -                 |
| Licenses and permits                  | -               | -                    | -                 |
| Use of money and property             | -               | -                    | -                 |
| Intergovernmental                     | -               | -                    | 4,825             |
| Charges for services                  | -               | -                    | 6,918             |
| Miscellaneous and other               | <u>3,687</u>    | <u>4,558</u>         | <u>57,975</u>     |
| Total Receipts                        | 3,687           | 4,558                | 69,718            |
| Disbursements:                        |                 |                      |                   |
| Operating                             |                 |                      |                   |
| Public safety                         | -               | -                    | 42,025            |
| Public Works                          | -               | -                    | -                 |
| Culture and recreation                | 1,178           | 2,809                | 23,003            |
| General Government                    | -               | -                    | -                 |
| Debt Service                          | <u>-</u>        | <u>-</u>             | <u>-</u>          |
| Total Disbursements                   | 1,178           | 2,809                | 65,028            |
| Excess of receipts over disbursements | 2,509           | 1,749                | 4,690             |
| Other Financing Sources (Uses):-      |                 |                      |                   |
| Operating transfers in                | -               | -                    | 3,857             |
| Operating transfers out               | (1,269)         | -                    | (1,269)           |
| Other balance adjustments             | <u>-</u>        | <u>-</u>             | <u>-</u>          |
| Total Other Financing Sources (Uses)  | (1,269)         | -                    | 2,588             |
| Net change in cash balance            | 1,240           | 1,749                | 7,278             |
| Cash balance beginning of year        | <u>2,769</u>    | <u>5,821-</u>        | <u>134,238</u>    |
| Cash balance end of year              | <u>\$ 4,009</u> | <u>\$ 7,570</u>      | <u>\$ 141,516</u> |
| Cash Basis Fund Balances              |                 |                      |                   |
| Reserved for debt service             | \$ -            | \$ -                 | \$ -              |
| Unreserved:                           |                 |                      |                   |
| General Fund                          | -               | -                    | -                 |
| Special Revenue Fund                  | <u>4,009</u>    | <u>7,570</u>         | <u>141,516</u>    |
| Total Cash Basis Fund Balances        | <u>\$ 4,009</u> | <u>\$ 7,570</u>      | <u>\$ 141,516</u> |

See accompanying independent auditor's report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and  
Members of the City Council of the  
City of Silver City, Iowa

I have audited the financial statements of City of Silver City, for the year ended June 30, 2007, and have issued my report thereon dated December 27, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Silver City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Silver City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Council Bluffs, Iowa  
July 23, 2008



City of Silver City  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2007

1. Summary of the auditor's results:

- i. Unqualified opinion issued on the financial statements of the City of Silver City Iowa, which was prepared in conformity with an other comprehensive basis of accounting.
- ii. Reportable conditions in internal control? – no
- iii. No instances of noncompliance which were material to the financial statements of the City of Silver City were noted.